



OCC ADVISORY LETTER

Comptroller of the Currency
Administrator of National Banks

Subject: Year 2000 Guidance on Customer Risk and Vendor Due Diligence

TO: Chief Executive Officers of National Banks, Federal Branches and Data-Processing Centers, Department and Division Heads, and Examining Personnel

This advisory is to alert you to the recent release of two FFIEC interagency statements on the Year 2000 problem. “Guidance Concerning the Year 2000 Impact on Customers” and “Guidance Concerning Institution Due Diligence in Connection with Service Provider and Software Vendor Year 2000 Readiness” supplement previous FFIEC interagency statements by providing additional information on overseeing and managing Year 2000-related risk for bank customers and for vendors that provide mission-critical products and services.

“Guidance Concerning the Year 2000 Impact on Customers” describes the responsibilities of a financial institution’s senior management and board of directors for assessing the risks arising from the failure of the institution’s customers to address their Year 2000 vulnerabilities. A financial institution can face increased credit, liquidity, or counterparty trading risk when its customers encounter Year 2000-related problems. Year 2000 risk may result from the failure of a customer to properly remediate its own systems and from Year 2000 problems that are not addressed by the customer’s suppliers and its clients. By June 30, 1998, senior management should have implemented a process which identifies, assesses and controls the Year 2000 risk posed by their customers.

“Guidance Concerning Institution Due Diligence in Connection with Service Provider and Software Vendor Year 2000 Readiness” addresses the process for determining the ability of a bank’s service providers and software vendors to become Year 2000 ready. The vendor due diligence process should enable management to:

- identify and assess the mission-critical services and products provided by service providers and software vendors;

- identify and articulate the obligations of the service provider or software vendor and the institution for achieving Year 2000 readiness;

- test the remediated services and products in the institution’s own environment;

- adopt contingency plans for each mission-critical service and product; and



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establish monitoring procedures to verify that the service provider or software vendor is taking appropriate action to achieve Year 2000 readiness.

For further information on year 2000 issues, contact the Bank Technology unit at (202) 874-2340.

Emory Wayne Rushton
Senior Deputy Comptroller
Bank Supervision Policy

[Attachments](#)